



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

REGIONAL COUNCIL OF THE OSHANA REGION

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2010

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REPUBLIC OF NAMIBIA



TO THE HONOURABLE SPEAKER OF THE NATIONAL ASSEMBLY

I have the honour to submit herewith my report on the accounts of the Regional Council of the Oshana region for the financial year ended 31 March 2010, in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honourable Minister of Finance in terms of Section 27(1) of the State Finance Act, 1991, (Act 31 of 1991) to be laid upon the Table of the National Assembly in terms of Section 27(4) of the Act.

WINDHOEK, December 2013

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE
ACCOUNTS OF THE REGIONAL COUNCIL OF THE OSHANA REGION
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2010**

1. INTRODUCTION

The Regional Council of the Oshana region was established with effect from 31 August 1992 under Section 2(1) of the Regional Councils Act, 1992 (Act 22 of 1992).

The financial powers, duties and functions of the Council are stipulated in Article 108 of the Namibian Constitution and Section 28 of the Regional Council Act. Sections 39 and 40 of the Act require that accounting records of the Council shall be kept and its financial statements shall be prepared by its Chief Regional Officer.

Figures in the report are rounded off to the nearest Namibia dollar. Deficits are indicated in brackets.

2. FINANCIAL STATEMENTS

The Regional Council's financial statements were submitted to the Auditor-General by the Accounting Officer in compliance with Section 40(1) of the Regional Councils Act, 1992. The abridged balance sheet, Annexure A, is a true reflection of the original.

The following annexures are also attached to this report:

- Annexure B: Statements of income and expenditure
- Annexure C: Cash flow statement
- Annexure D: Notes to the financial statements

3. SCOPE OF AUDIT

Management's responsibility for the financial statements

The Accounting Officer of the Regional Council is responsible for the preparation and fair presentation of these financial statements and for ensuring the regularity of the financial transactions. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

It is the responsibility of the Auditor-General to form an independent opinion, based on the audit, on those statements and on the regularity of the financial transactions included in them and to report his opinion to the National Assembly. The said firm conducted the audit in accordance with International Standards on Auditing. Those standards require that the firm comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal

control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

4. AUDIT OBSERVATIONS AND COMMENTS

4.1 Adjustments

An adjustment of N\$ 26 740 845 (N\$ 222: 2009) had to be made in the income statement of the Council to balance the accounts. The Council should investigate the reason for such a high adjustment and avoid re-occurrence of this in the future.

4.2 Investment in shares

It was observed that the Council has shares in Nored valued at N\$ 5 000 0000.

Although an agreement exists between the two parties, equity allocation could not be reconciled to the share certificate as required by Generally Accepted Accounting Practice (GAAP) because they could not be provided by the Council at the time of the audit. It is recommended that the Council keep all relevant documentation available for audit evidence as required by Section 26(1)(b)(i) of the State Finance Act.

4.3 Fixed assets

Capital projects (WIP)

The account was fairly stated except that cheque no. 752 to the value of N\$ 373 282 was processed in the general ledger inclusive of VAT. The VAT amount of N\$ 48 689 should have been charged to the VAT account. It is recommended that this accounting error be rectified during the next financial year and that the VAT is paid over to the relevant authority.

4.4 Income

Settlement income

The Council did not issue receipt books at settlement areas and therefore the settlement area could not issue a receipt for each individual account for the year under review. The financial statements indicate an amount of N\$ 79 869 as income from settlement areas but due to afore-mentioned it could not be allocated to an individual account. It is recommended that receipt books are issued to settlement areas which will enable them to allocate monies received to an individual account.

5. ACKNOWLEDGEMENT

The courtesy and assistance extended to the Auditor-General's staff by the Chief Regional Officer and his staff during the audit is appreciated.

6. QUALIFIED AUDIT OPINION

The accounts of the Regional Council of the Oshana region for the financial year ended 31 March 2010 have been audited in terms of Section 38 of the Regional Councils Act, 1992 (Act 22 of 1992) and Section 25(1)(b) of the State Finance Act, 1991 (Act 31 of 1991).

The audit opinion has been qualified due to the following reasons:

- An adjustment of N\$ 26 740 8445 had to be made in the income statement of the Council to balance the accounts.

- VAT to the amount of N\$ 48 689 was incorrectly charged to a vote account instead of the VAT control account.
- Income from settlement areas to an amount o N\$ 79 869 could not be allocated to the individual debtors.

Except for the above-mentioned issues, in my opinion, the accounts fairly present the financial position and related transactions of the Council for the year ended 31 March 2010.

WINDHOEK, December 2013

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

REGIONAL COUNCIL FOR THE OSHANA REGION

BALANCE SHEET AS AT 31 MARCH

	Notes	2010 N\$	2009 N\$
ASSETS			
Non-current assets			
Property, plant and equipment	3	47 308 973	54 032 909
Work in progress	7	35 602 950	54 032 909
Investments (Shares in Nored)	4	6 706 023	*-
		5 000 000	-
Current assets			
Accounts receivable	6	45 333 679	10 995 777
Bank and cash on hand	5	1 341 639	1 027 598
Stock on hand		43 880 346	9 968 179
		111 694	-
Total assets		92 642 652	65 028 686
EQUITY AND LIABILITIES			
Equity			
Accumulated funds		91 820 083	64 837 796
		91 820 083	64 837 796
Current liabilities			
Trade and other payables	8	822 569	190 890
		822 569	190 890
Total equity and liabilities		92 642 652	65 028 686

* Work in progress of N\$ 41 999 09 was included property, plant and equipment of the previous year.

REGIONAL COUNCIL FOR THE OSHANA REGION

INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH

	Notes	2010	2009
		N\$	N\$
Income	2.1	18 582 908	19 929 128
Expenditure	2.2	20 578 447	18 160 892
Net operating surplus/(loss)		(1 995 539)	1 768 236
Interest on current account		2 236 981	1 337 244
Accumulated income/(deficit)		241 442	3 105 480
~ at the beginning of the year		64 837 796	61 732 538
~adjustment		26 740 845	(222)
~ at the end of the year		91 820 083	64 837 796

REGIONAL COUNCIL FOR THE OSHANA REGION
CASH FLOW STATEMENT AS AT 31 MARCH

	<u>Notes</u>	<u>2010</u>	<u>2009</u>
		N\$	N\$
Cash flow from operating activities			
Cash receipt form customers		18 582 908	19 929 128
Cash paid to supplier		6 368 342	(18 720 207)
Cash generated by operations		<u>24 951 250</u>	<u>1 208 921</u>
Interest received		<u>2 236 981</u>	<u>1 337 224</u>
		27 188 231	2 846 145
Cash flow of investing activities			
Cash flow from investing activities			
Increase in investments		(5 000 000)	-
Property, plant and equipment acquired, value adjustments		11 723 936	(5 435 962)
		<u>6 726 936</u>	<u>(5 345 962)</u>
Net (decrease)/increase in cash and cash equivalent		<u>33 912 167</u>	<u>(2 889 817)</u>
CASH AND CASH EQUIVALENTS			
- Beginning of the year		<u>9 968 179</u>	<u>12 857 996</u>
- End of the year		<u>43 880 346</u>	<u>9 968 179</u>

REGIONAL COUNCIL FOR THE OSHANA REGION

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH

1. ACCOUNTING POLICIES

The annual financial statements are prepared under the historical cost basis. The following are the principal accounting policies used by the entity, which are consistent with those applied in the previous year.

The annual financial statements are prepared in line with the accrual concept. It should be noted, however, that income and expenditure in relation to Delegated functions is accounted for during the year on cash accounting concept, in line with the State Finance Act, 1992. However, since all liabilities to Delegated functions remains with the line Ministry and all unexpended Delegated Funds are returned to the State Account as at 31 March, this does not materially affect the Regional Council financial statements.

1.1 Property, plant and equipment

All property, plant and equipment are initially recorded at cost. Cost includes all cost directly attributed to bringing the assets to working condition for their intended use.

The residual value and the useful life of each assets are reviewed at each year-end.

Land and infrastructure assets are not depreciated. It is assumed that land will appreciate in value over time, and that infrastructure assets (i.e. water, sewerage and electricity works) will maintain their value due to the necessity of regular maintenance.

Buildings that are still under construction are classed as work-in-progress, and are not depreciated until the work is fully completed.

Where the carrying amount of an asset is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amounts and are taken into account in determining operating profit. On disposal of revalued assets, amounts in revaluation and other reserves relating to that asset are transferred to retained earnings.

Depreciation is calculated on a straight-line method to write off the cost of each asset, or the revalued amount, to their residual values over their estimated useful lives as follows;

Buildings	50 years
Machinery and equipment	5 years
Motor vehicles	5 years
Office furniture and equipment	3 years
Computer equipment	3 years

REGIONAL COUNCIL FOR THE OSHANA REGION

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH (continued)

1.2 Trade receivables

Trade receivables are carried at anticipated realizable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the year-end. Bad debts are written off during the year in which they are identified.

1.3 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

1.4 Revenue

Revenue consist of the following:

1.4.1 Government Transfers: MRLGH&RD

The Regional Council receives administrative grants from the Ministry of Regional and Local Government, Housing and Rural Development. The grants are for the day-to-day operations of the Regional Council.

1.4.2 Rates levy from Local Authorities

The Regional Council, levies an amount equal to 5% of the rates levied on all rateable property situated in Local Authority areas as stipulated in Section 77(1) of the Local Authorities Act, 1992 (Act 23 of 1992).

1.4.3 Royalties and surcharges

The Regional Council receives royalties in respect of surcharges levied on its behalf by NORED Electricity (Pty) Ltd. The rates are based on approved rates tariffs by the Electricity Control Board.

1.5 Delegated functions

The Regional council is currently performing the following functions delegated by Central Government Ministries.

Under delegated, the Regional Council acts as an agent for the relevant Ministry. The relevant Ministry, however, retains overall responsibility to approve the related budget. This budget allocation is transferred to the Regional Council via cash transfers.

REGIONAL COUNCIL FOR THE OSHANA REGION

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH (continued)

Line Ministries	Delegated function	Notes	2010 N\$	2009 N\$
Income			857 303	2 569 845
Min of Agriculture and Forestry	Ploughing and weeding		-	2 569 845
Min of Gender -	IGA		10 000	-
Min of Gender -	ECD		286 020	-
Min of RLGH&RD	Cash for Work		223 578	-
Min of RLGH&RD	Micro Finance		57 250	-
Min of Agriculture and Forestry	Youth Employ Fund		10 000	-
Off of the Prime Min			234 455	-
Ministry of Health and Social Welfare			36 000	-
Expenditure			598 818	2 943 609
National Drought Fund			-	2 943 609
Min of Gender -	ECD		375 023	-
Min of RLGH&RD	Cash for Work		13 100	-
Off of the Prime Min			133 298	-
Oshana Emergency Fund			22 977	-
Min of Health and Social Welfare			54 290	-
Min of Agriculture and Forestry	World food day		130	-
Surplus/ Deficit for the year			258 485	(373 764)
2. INCOME AND EXPENDITURE				
2.1 Income				
Government Transfers MRLGH			16 106 751	16 125 000
Rates levy (5 %) from Local Authorities			1 367 393	997 743
Rates, charges and fees (Settlement Areas)			79 869	4 576
Donations received			-	14 570
Other income		2.3	171 592	188 633
Royalties and surcharges			-	28 761
Sub-total			17 725 605	17 359 283
Delegated Functions		1.5	857 303	2 569 845
TOTAL INCOME			18 582 908	19 929 128

REGIONAL COUNCIL FOR THE OSHANA REGION

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH (continued)

	Notes	2010 N\$	2009 N\$
2.2 Expenditure			
Remuneration		13 342 861	10 762 326
Subsistence & travel		399 460	164 075
Materials and supplies		369 299	686 144
Transport expenses		631 369	334 004
Utilities		935 286	792 247
Maintenance expenses		231 342	383 024
Property rental & related charges		63 723	15 792
Other services & expenses		3 791 043	787 725
Membership fees & sub domestic		66 309	67 963
Depreciation expenses		-	1 009 397
Settlements areas expenses		-	63 424
Subsidies, grants and donations		148 936	151 162
Sub-total		19 979 628	15 217 283
Delegated Functions	1.5	598 819	2 943 609
TOTAL EXPENDITURE		20 578 447	18 160 892
NET OPERATING SURPLUS/(DEFICIT) FOR THE YEAR			
		(1 995 539)	1 768 236
NET FINANCIAL INCOME			
Interest received		2 236 981	1 337 244
ACCUMULATED SURPLUS/(DEFICIT) FOR THE YEAR			
		241 44	3 105 480
2.3 Other Income			
Income		171 592	188 633
Commission received		-	16 803
Fishing license fees		-	5 650
Letting of properties		-	41 374
Emergency assistance		-	46 800
Insurance refund		-	7 583
Property rentals & equipment hire		55 504	-
Other income		116 088	-
Sewerage truck		-	7 200
Tender documents		-	61 900
Sundries		-	451
Tuck shop sales		-	872

REGIONAL COUNCIL FOR THE OSHANA REGION

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH (continued)

3. PROPERTY, PLANT AND EQUIPMENT

31 March 2010	Land & buildings	Machinery & vehicles	Office furniture equipment & computers	Total
	N\$	N\$	N\$	N\$
Cash as at 1 April 2009	52 012 352	3 491 422	3 559 098	59 062 872
Additions	8 282 319	321 815	178 129	8 782 263
Adjustments	(26 613 054)	7 259 072	(1 991 531)	(21 345 573)
Total according to General Ledger – 31 March 2010	33 681 617	11 072 249	1 745 696	46 499 562
Depreciation at 1 April 2009	-	(2 213 406)	(2 816 558)	(5 029 964)
Charges for the year	(629 066)	(1 772 394)	(251 305)	(2 652 765)
Adjustments	(1 044 510)	(3 873 309)	1 703 936	(3 213 883)
Total depreciation according to General Ledger – 1 April 2010	(1 673 576)	(7 859 109)	(1 363 927)	(10 896 612)
	32 008 041	3 213 140	381 769	35 602 950

31 March 2009	Land & buildings	Machinery & vehicles	Office furniture equipment & computers	Total
	N\$	N\$	N\$	N\$
Cost as at 1 April 2008	46 117 066	3 197 441	3 303 006	52 617 513
Additions	5 895 286	293 981	256 092	6 445 359
Cost as at 31 March 2009	52 012 352	3 491 422	3 559 098	59 062 872
Depreciation as at 1 April 2008	-	(1 580 168)	(2 440 399)	(4 020 567)
Charge for the year	-	(633 238)	(376 159)	(1 009 397)
Depreciation as at 31 March 2009	-	(2 213 406)	(2 816 558)	(5 029 964)
Net book value as at 31 March 2009	52 012 352	1 278 016	742 540	54 032 908

REGIONAL COUNCIL FOR THE OSHANA REGION

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH (continued)

	2010	2009
	N\$	N\$
4. INVESTMENTS		
Shares in Nored	5 000 000	-
	5 000 000	-
5. CASH ON HAND AND BANK		
Cash on hand	2 099	4 043
Standard Bank - Current account	304 411	913 311
Standard Bank - Call account	983 490	1 487 059
Standard bank - Fleet Management	24 111	44 639
Standard Bank - Equity Provision Fund	445 665	708 587
Standard Bank - Drought Relief	75 144	75 815
Standard Bank - Ombuga Tree Planting project	28 916	28 539
Standard Bank - Oshana Community	53 491	144 985
Standard Bank - Emergency Fund	62 740	85 880
First National Bank - Capital projects	101 501	637 570
First National Bank - Call account	36 094 831	2 402 329
First National Bank - Uukwangula Sports Complex	1 597 505	1 521 584
First National Bank - 32 days notice account	149 171	141 059
First National Bank - RACOC	21 575	23 320
First National Bank - Ongwediva RDC	18 071	10 020
First National Bank - Tradional Authority	1 872	2 631
Bank Windhoek - Revenue account	3 676 689	1 564 382
Bank Windhoek - Christmas Fund	16 500	15 587
Bank Windhoek - Cash-for-work Programme	222 564	156 839
	43 880 346	9 968 179
6. TRADE AND OTHER RECEIVABLES		
Staff loans	-	200 367
Trade debtors	1 302 195	2 018
Inter-bank transfers	-	-
Salaries and wages	2 419	-
Receiver of Revenue VAT	37 025	825 213
	1 341 639	1 027 598

REGIONAL COUNCIL FOR THE OSHANA REGION

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH (continued)

	2010	2009
	N\$	N\$
7. CAPITALIZED WORK-IN-PROGRESS		
Construction - Uukwiyu Const. Office	-	1 447 922
Construction of HQ Additional Block	-	2 701 411
Water project in constituencies	-	971 314
Uukwangula Okwandi water pipeline	-	832 369
Eheke service and construction	-	23 104
Construction of Eheke Office - Ondangwa	-	1 367 876
Constituency electrification	-	1 421 121
Construction of Ompundja office	-	21 534
Construction of fence/Wall Governors house	-	103 847
Construction of Uukwangula sport complex	-	14 942 605
Renovation of Governors house	-	173 878
Construction water ret Uukwangula	-	1 606 957
Construction of water ret Eheke	-	949 645
Construction of Eheke oxidation ponds P2	-	3 128 328
Engombe constituency office - Uuvudhiya	-	33 057
Construction - Constituency office Okaku	-	12 309
Design & planning of Uukwangula Town	327 522	7 970
Servicing of Uukwangula settlement	-	295 412
Construction of water sewer at Eheke	2 603 551	1 521 571
Construction of Uukwangula roads	-	1 143 564
Upgrading of soccer pitches	-	34 293
Construction of ongwediva Const Office	-	1 399 028
Compensation on land	-	224 934
Construction of Uukwangula oxidation Ponds	-	291 929
Construction of Oshakati-East constituency	-	599 452
Construction of Oshakati-West constituency	-	736 751
Other projects	-	111 626
Eheke gravel roads	1 438 380	-
Uukwangula service sewarege reticulation & pump station	2 046 707	-
Oxidation ponds and access	142 461	-
Eheke water tower	93 094	-
Eheke town planning	54 306	-
Sundrey capital projects	-	5 895 286
Total	6 706 021	41 999 093

REGIONAL COUNCIL FOR THE OSHANA REGION

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH (continued)

	2010	2009
	N\$	N\$
8. TRADE AND OTHER PAYABLES		
Trade Creditors	822 569	183 524
Unclaimed funds	-	7 366
	822 569	190 890
9. CASH (UTILIZED)/GENERATED BY OPERATIONS		
Net surplus before adjustments and interest	241 442	3 105 480
Adjustments	26 740 845	(222)
Interest received	(2 236 981)	(1 337 224)
	24 745 306	1 768 034
Change in working capital		
(Increase) in stock	(111 694)	-
(Increase)/decrease in accounts receivable	(314 041)	586 967
Increase in accounts payable	631 679	27 854
	205 944	(559 113)
Cash generated/utilized by operations	24 951 250	1 208 921